

DPD-1178-59

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REPLY TO:

Auditor General

Liaison Office
P.O. Box 8155, S.W. Station
Washington, D. C.

17 February 1959

SUBJECT : Advisory Report on Review of
Proposed Exhibit Unit Prices
The Firewal Company, Inc.
Buffalo, New York
Fixed Price Open Call Contract HF-CT-692
1 March 1958 to 30 November 1958

TO : Contracting Officer

REFERENCE: DPD-0441-59 dtd. 19 January 1959

1. A review was made of the cost elements of unit prices of significant (\$1.00 or over) purchased and fabricated parts appearing in the twenty-two (22) exhibits transmitted by the Contracting Officer for examination.

2. We were informed by the contractor that the prices for all of these exhibits have already been fixed by the Contracting Officer's approval of the Production Lists.

3. Our review of the unit prices of the significant parts comprised the following:

a. Total unit prices were traced to contractor's detailed worksheets indicating the breakdown by cost element.

b. Cost factors for each element in the pricing formula utilized were verified to the contract rates existing for the year 1958, the period during which deliveries were requested.

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c. Material costs and labor hours were verified to actual cost information appearing in the contractor's parts cost cards as of the time delivery was requested.

d. We did not perform a complete detailed audit of the material costs and labor hours appearing on the contractor's parts cost cards. However, we did verify the proposed material costs of purchased parts to copies of Purchase orders issued to vendors. Also, material costs and labor hours for major assembly fabricated parts were traced to subassembly Parts Cost Cards. In addition, we obtained the verbal opinion of the cognizant [REDACTED] Auditor, without disclosure of our interests, that information appearing on the Parts Cost Cards has been demonstrated to be accurate based upon his prior audit experience.

e. All calculations were verified.

4. A detailed analysis of the unit prices of the items reviewed is available in the working paper files of the Liaison Office.

5. We verified all "Total Price" extensions appearing in the twenty-two (22) exhibits.

6. Results of Examination:

Based on our review the cost elements included in the unit prices appearing on these exhibits are considered to be reasonable for purposes of these specific calls.

7. The contractor acknowledges an understatement in the total price shown on Production List No. 58-18 of \$88.16. However, since the total price of \$728.08 has already been fixed by approval of the Contracting Officer, the contractor does not wish to revise his claim upward.

STATINTL

[REDACTED]

Auditor General